

Message Text

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67

ACTION EUR-25

INFO OCT-01 ISO-00 AGR-20 CEA-02 CIAE-00 COME-00 DODE-00

EB-11 FRB-02 H-03 INR-10 INT-08 L-03 LAB-06 NSAE-00

NSC-07 PA-04 RSC-01 AID-20 CIEP-02 SS-20 STR-08

TAR-02 TRSE-00 USIA-15 PRS-01 SPC-03 FEA-02 OMB-01

MC-02 ACDA-19 IO-14 ARA-16 DRC-01 /229 W

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FM AMEMBASSY OTTAWA

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INFO AMCONSUL MONTREAL

AMCONSUL TORONTO

UNCLAS OTTAWA 0627

E.O. 11652: N/A

TAGS: ESTC, CU, CA

SUBJECT: CUBAN ASSETS CONTROL AND QUEBEC LOCOMOTIVE SALE

REF: OTTAWA 616

1. FOLLOWING IS TEXT OF TORONTO STAR MARCH 5 EDITORIAL ENTITLED
"EXTRATERRITORIAL ARM TWISTING":

BEGIN TEXT.

IT'S BAD ENOUGH THAT OTTAWA HAS TO PLEAD WITH WASHINGTON
TO ALLOW A CANADIAN SUBSIDIARY TO TRADE WITH CUBA BECAUSE
U.S. LAW THREATENS ITS AMERICAN PARENT COMPANY.

BUT THE BARRIER TO MONTREAL'S MLW-WORTHINGTON, AN
AMERICAN-OWNED COMPANY, SELLING \$18 MILLION WORTH OF
LOCOMOTIVES TO CUBA DOESN'T EVEN HAVE THE DIGNITY OF BEING
AGAINST AMERICAN LAW.

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THE COMPANY AND ITS PARENT ARE HESITATING BECAUSE

OF THE U.S. CUBAN ASSETS CONTROL REGULATIONS UNDER THE
TRADING WITH THE ENEMY ACT.

IN FACT, HOWEVER, THE REGULATIONS PROVIDE A GENERAL
THOUGH NARROW EXEMPTION THAT OUGHT TO APPLY TO THE
MONTREAL COMPANY. THERE IS NO OBJECTION TO TRADE WITH
CUBA BY AMERICAN SUBSIDAIRIES IN OTHER COUNTRIES PROVIDED
THAT U.S. SHIPS DO NOT MOVE THE GOODS THERE, U.S. MONEY
IS NOT INVOLVED IN FINANCING THE DEAL, AND AMERICAN
CITIZENS HAVE NO PART IN IT.

THE TROUBLE IS, AS THE 1968 REPORT OF THE TASK
FORCE ON THE STRUCTURE OF CANADIAN INDUSTRY (WATKINS
REPORT) POINTS OUT, THIS CONCESSION IS LARGELY
MEANINGLESS BECAUSE "THE UNITED STATES AUTHORITIES
HAVE CALLED FOR VOLUNTARY COMPLIANCE BY AMERICAN FIRMS IN
NOT HAVING THEIR FOREIGN AFFILIATES TRADE WITH CUBA AND
APPEAR GENERALLY TO HAVE SECURED THAT COMPLIANCE."

TRYING TO BE HELPFUL, THE CANADIAN GOVERNMENT HAS
GONE CAP-IN-HAND TO WASHINGTON OVER THE LOCOMOTIVE DEAL,
AS IT HAS HAD TO DO ON A NUMBER OF PREVIOUS OCCASIONS,
TO ASK FOR A SPECIAL EXEMPTION; ACCORDING TO AN INFORMANT
IN THE INDUSTRY, TRADE AND COMMERCE DEPARTMENT, EXEMPTIONS
HAVE BEEN REFUSED IN AT LEAST SIX CASES AND OF COURSE
THERE MAY BE MANY OTHER INSTANCES WHICH NEVER GOT AS FAR
AS FIRM DEALS BECAUSE THE FIRMS WERE SCARED OFF IN THE FIRST PLACE.

THIS IS A DEMEANING PROCEDURE, WHICH EFFECTIVELY MEANS
CANADIAN TRADE POLICY IS BEING MADE IN WASHINGTON NOT
OTTAWA. THE REMEDY FOR THIS IRRITANT IS SIMPLE AND SHOULD
LONG AGO HAVE BEEN TAKEN BY OTTAWA. IT IS, AS PROMISED IN
THE THRONE SPEECH, TO PROHIBIT COMPANIES IN CANADA FROM
OBEYING FOREIGN LAWS WHEN THIS IS AGAINST CANADIAN INTERESTS.

END TEXT

2. FOLLOWING IS EXCERPT FROM MARCH 5 OTTAWA JOURNAL EDITORIAL
ENTITLED "IT'S OUR BUSINESS":

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BEGIN TEXT.

...CUBA'S SOCIAL SYSTEM IS ITS OWN BUSINESS. OTTAWA
HAS DIPLOMATIC RELATIONS WITH HAVANA. CNADIAN FIRMS SELL
TO CUBA. THAT ANOTHER NATION WOULD INTERFERE IN THIS WOULD
REGULATE THE BUSINESS OF A FIRM INCORPORATED IN CANADA, AND
OPERATING UNDER CANADIAN LAW--NO MATTER THAT IT IS OWNED
ABROAD--IS AN INTRUSION INTO OUR AFFAIRS.

WHEN IN THE 1950S THE DIEFENBAKER GOVERNMENT INITIATED
WHEAT AND FLOUR SALES TO CHINA, AMERICAN INTERFERENCE WAS
FELT. SINCE THEN HAS OCCURRED THE GREAT DETENTE OF
PRESIDENT NIXON, FOLLOWING CANADIAN DIPLOMATIC RECOGNITION
OF CHINA IRONICALLY, THE AMERICAN DETENTE WITH THE
GREAT COMMUNIST POWERS OF CHINA AND THE SOVIET UNION HAS
NOT BEEN FOLLOWED BY AN RELAXATION OF ITS RELATIONS WITH
LITTLE CUBA.

THAT, OF COURSE, IS WASHINGTON'S AFFAIR--JUST
AS SURELY AS OUR SALES TO CUBA ARE CANADA'S AFFAIR.
AMERICAN WORRIES ABOUT THE CANADIAN SALE OF LOCOMOTIVES
SEEMS BASED ON A FEAR THAT IT WOULD BE A PRECEDENT FOR
ALLOWING A SALE OF 44,000 AUTOMOBILES TO CUBA BY A U.S.
SUBSIDIARY IN ARGENTINA. BUT THE U.S. MAY BE FORCED
TO ACCEDE TO THAT DEAL, OTHERWISE ARGENTINA MAY EXPROPRIATE
THE AMERICAN AUTO COMPANIES.

THE CANADIAN GOVERNMENT SHOULD INFORM WASHINGTON
THAT INTERFERENCE WITH MLW-WORTHINGTON'S EXPORT OF
LOCOMOTIVES CANNOT BE TOLERATED.

END TEXT.
JOHNSON

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